

FINANCIAL SECTION

This Section contains the following subsections

- **Independent Auditors' Report**
- **Management's Discussion and Analysis**
- **Basic Financial Statements**

Government-wide Financial Statements

Fund Financial Statements

Notes to the Financial Statements

- **Required Supplementary Information**

This subsection includes trend information regarding the three retirement plans and major fund budgetary comparison statements. This information is necessary for a fair presentation in conformity with generally accepted accounting principles.

- **Supplemental Schedules**

This subsection includes schedules that present combining non-major fund statements and individual fund budgetary schedules.

INDEPENDENT AUDITORS' REPORT

Honorable City Commission
City of Leesburg
Leesburg, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Leesburg, Florida (the City) as of and for the year ended September 30, 2003, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 31, 2003, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Certified Public Accountants

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MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

Honorable City Commission
City of Leesburg
Leesburg, Florida

INDEPENDENT AUDITORS' REPORT
(Concluded)

As discussed in note 1 to the financial statements, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus*; and Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, as of October 1, 2002. This results in a change in the format and content of the financial statements.

The Management's discussion and analysis and the major fund budgetary comparison information as listed in the table of contents, are not a required part of the basic financial statements, but are supplementary information required by GASB. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively form the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, schedules and statistical tables listed in the table of contents are presented for additional analysis and are not a required part of the basic financial statements. We subjected the combining and individual nonmajor fund statements and schedules to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, this information is fairly stated in all material respects, in relation to the basic financial statements taken as a whole. The introductory and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

December 31, 2003
Ocala, Florida

Furris, Gray and Company

**CITY OF LEESBURG, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2003**

The City of Leesburg's (the City) management discussion and analysis presents an overview of the City's financial activities for the fiscal year ended September 30, 2003. Please read it in conjunction with the letter of transmittal, beginning on page i, and the financial statements beginning on page 16.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of fiscal year 2003 by \$153,866,748 (net assets). Of this amount, \$37,597,366 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$3,584,029.
- As of September 30, 2003, the City's governmental funds reported combined ending fund balances of \$7,459,881, a decrease of \$6,172,780 in comparison with the prior year, due mainly to the unspent accumulation of reserves in the capital projects fund as described in detail in the financial analysis section.
- On September 30, 2003, unreserved undesignated fund balance for the general fund was \$767,825 or 4.6% of total general fund expenditures and transfers out.
- Governmental fund revenues increased by \$3,555,151 or 17.5% over the prior fiscal year. The increase of \$1,471,677 in intergovernmental revenue was used for construction of a parking garage (CDBG grant) and airport projects (State grants).
- Although utility revenues (business-type activities) had a minimal increase of \$4,901,758 from \$55,999,608 to \$60,901,366, net income from operations before transfers was positive in all funds with the exception of the wastewater fund. Rates must be sufficient to meet the demands for service, so a rate study for water and wastewater was completed in December 2002 and implemented in February 2003. The wastewater rate increase occurred in 3 steps, and the final step will occur in October 2004, which will allow the City to recoup the operational losses that occurred over the past 2 years.
- The City's total debt increased by \$5,433,630 or 15.9% during fiscal year 2003. The key factor in this increase was the issuance of a note payable (known as Initial Pooled Loan Project) granted by Florida Municipal Power Agency to construct water reuse lines and rehabilitate the Canal Street Wastewater Treatment Plant.
- Infrastructure assets for street and sidewalk improvements prior to October 1, 1999 were added as of October 1, 2002 and depreciated during the year. The increase to net assets totaled \$11,586,797. This early implementation of GASB 34 is used for comparative purposes.

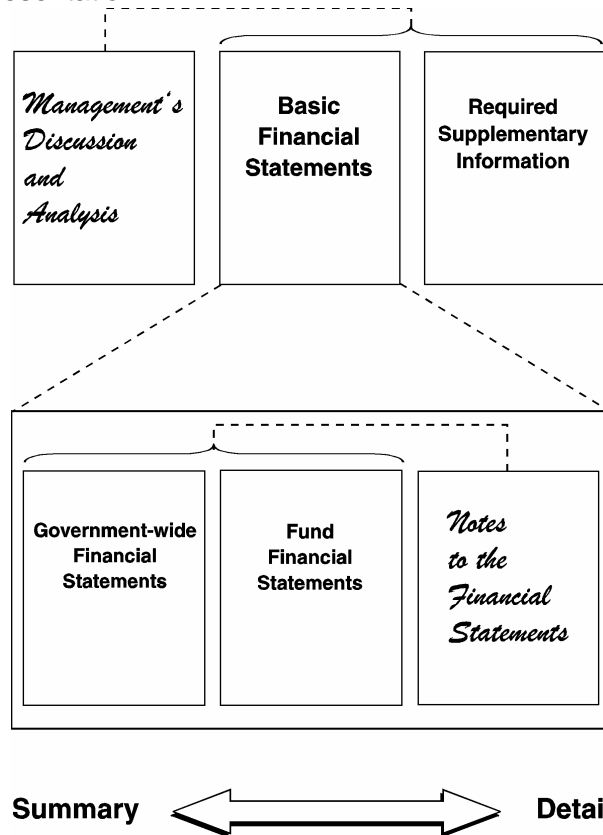
Overview of the Financial Statements

This annual report consists of four parts—management's discussion and analysis (this section), the basic financial statements, required supplementary information, and an optional section that presents combining statements for nonmajor governmental funds and internal service funds.

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1)

**CITY OF LEESBURG, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2003**

government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. This report also contains other supplementary information in addition to the basic financial statements that provide details about the City's nonmajor governmental and internal service funds, each of which are added together and presented in single columns in the basic financial statements. The required parts of this annual report are arranged and relate to one another as shown in the following graphical representation:



Government-wide financial statements. The government-wide financial statements, which consist of the following two statements, are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net assets changed during fiscal year 2003. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes, and earned but unused vacation leave).

Both of these financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are

**CITY OF LEESBURG, FLORIDA
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intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include general government, public safety, public works, stormwater, economic development, human services, airport, marina, culture and recreation. The business-type activities include its electric, gas, water, wastewater, communications, and solid waste disposal utilities. The internal service funds, namely health insurance and workers' compensation, are recorded as governmental activities.

The City established the Greater Leesburg Community Redevelopment Agency and Carver Heights Community Redevelopment Agency as blended component units of the City. The Governing Boards are composed of the City Commission plus two members appointed by the City Commission, and are appropriately blended as governmental activities on the government-wide financial statements.

The government-wide financial statements can be found on pages 16 and 17 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into the following 3 categories:

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 8 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and capital projects fund, which are considered to be major funds. Data from the other 6 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the other supplemental information section of this report. The City adopts an annual appropriated budget for all governmental funds. Budgetary comparison schedules have been provided for these funds to demonstrate budgetary compliance.

The governmental fund financial statements can be found on pages 18 through 21 of this report.

Proprietary funds. The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its electric,

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gas, water, reuse water, wastewater, communications (internet and fiber optic), and solid waste utility operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses the internal service fund to account for its self-insurance health and workers' compensation programs. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for all of the City's proprietary funds.

The proprietary fund financial statements can be found on pages 22 through 31 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is similar to proprietary funds. The fiduciary funds include pension trust funds for police, fire, and general employees.

The fiduciary fund financial statements can be found on pages 32 and 33 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 34 through 62 of this report.

Infrastructure assets. The City elected to early-implement the infrastructure portion related to general governmental assets acquired prior to October 1, 1999. Historically, a government's largest group of infrastructure assets, such as roads, bridges, and sidewalks have not been reported nor depreciated in governmental financial statements. The new standard requires that these assets be valued and reported within the governmental column of the government-wide statements. Additionally, the government must elect to either (a) depreciate these assets over their estimated useful life or (b) develop a system of asset management designed to maintain the service delivery potential to near perpetuity. If the government elects the asset management system (the modified approach), which periodically (at least every third year), by category, measures and demonstrates its maintenance of locally established levels of service standards, the government may record its cost of maintenance in lieu of depreciation.

The City has elected to depreciate its infrastructure assets.

Other information. In addition to the basic financial statements and accompanying notes, required supplementary information is included which presents budgetary comparison schedules for the City's general fund as well as historical trend information for pension trust funds. Required supplementary information can be found on pages 63 through 65 of this report.

The combining statements and budgetary comparison schedules referred to earlier in connection with nonmajor governmental and internal service funds are presented in the other supplemental information section of this report. Combining statements and individual fund schedules for the nonmajor governmental funds, as well as for the internal service funds, can be found on pages 66 through 79 of this report.

**CITY OF LEESBURG, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2003**

Government-wide Financial Analysis

Statement of Net Assets. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$153,866,748 at the close of the fiscal year ended September 30, 2003.

At the end of fiscal year 2003, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, and for its separate governmental and business-type activities. The following table reflects the condensed Statement of Net Assets for the current year as compared to the prior year.

City of Leesburg Net Assets			
	Governmental Activities	Business- Type Activities	Total
Assets			
Current and other assets	\$ 14,325,622	\$ 58,638,085	\$ 72,963,707
Capital sssets (net)	<u>51,540,529</u>	<u>89,299,197</u>	<u>140,839,726</u>
Total assets	<u>65,866,151</u>	<u>147,937,282</u>	<u>213,803,433</u>
Liabilities			
Current and other liabilities	4,876,242	8,493,492	13,369,734
Long term liabilities:	<u>9,118,376</u>	<u>37,448,575</u>	<u>46,566,951</u>
Total liabilities	<u>13,994,618</u>	<u>45,942,067</u>	<u>59,936,685</u>
Net assets			
Invested in capital assets net of related debt	44,299,444	62,855,687	107,155,131
Restricted	944,332	8,169,919	9,114,251
Unrestricted:	<u>6,627,757</u>	<u>30,969,609</u>	<u>37,597,366</u>
Total net assets	<u>\$ 51,871,533</u>	<u>\$ 101,995,215</u>	<u>\$ 153,866,748</u>

The largest portion of the City's net assets are reflected in the investment in capital assets (e.g., land, buildings, and equipment); less any related outstanding debt used to acquire those assets. Capital assets total \$140,839,726, which is 65.9% of all assets, which total \$213,792,151. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets cannot be used to liquidate the debt.

A portion of the City's net assets (6%) represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets (\$37,597,366) may be used to meet the government's ongoing obligations to citizens and creditors and to provide the funding for various projects.

Since this is the first year to report net assets for the City, there is no comparison available to discuss changes in the net assets section. This table will be presented in comparative format next year and additional explanation will be prepared.

**CITY OF LEESBURG, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2003**

Statement of Activities. The following table reflects the condensed Statement of Activities for the current year as compared to the prior year. For more detailed information see the Statement of Activities on page 17.

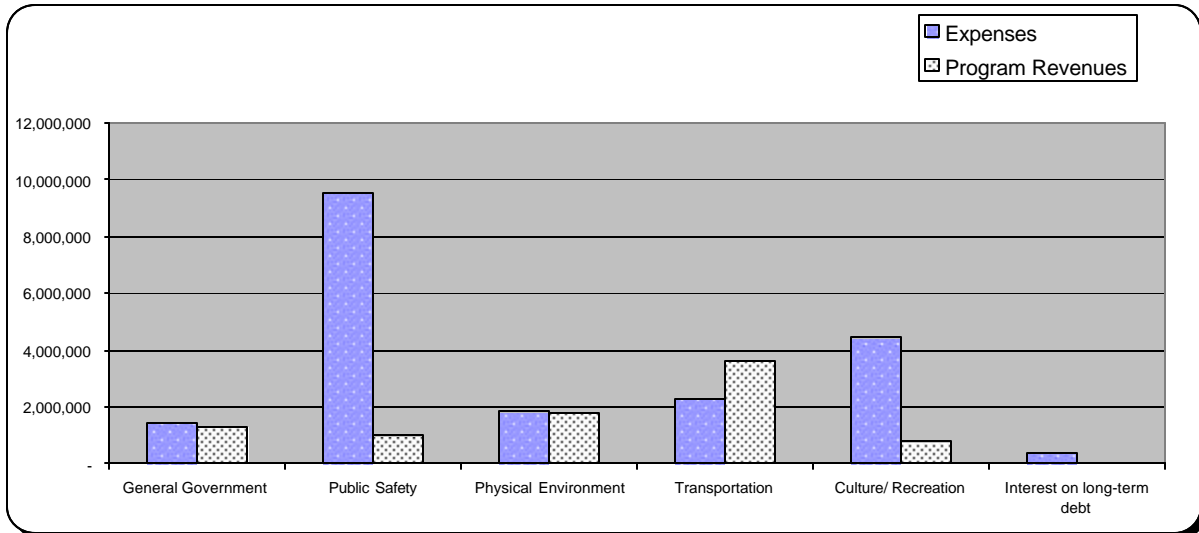
City of Leesburg Changes in Net Assets			
	Governmental Activities	Business-Type Activities	Total
Revenues:			
Program revenues:			
Charges for services	\$ 2,610,381	\$ 58,507,917	\$ 61,118,298
Operating grants and contributions	1,477,141	-	1,477,141
Capital grants and contributions	4,369,000	1,105,650	5,474,650
General revenues:			-
Property taxes	2,995,147	-	2,995,147
Utility service taxes	2,124,715	-	2,124,715
Other taxes	2,868,962	-	2,868,962
Other	1,448,774	1,287,799	2,736,573
Total Revenues	<u>17,894,120</u>	<u>60,901,366</u>	<u>78,795,486</u>
Expenses:			
General Government	1,451,272	-	1,451,272
Public Safety	9,478,560	-	9,478,560
Physical Environment	1,631,318	-	1,631,318
Transportation	2,266,516		
Economic Environment	206,318		
Human Services	82,812		
Culture/Recreation	4,423,002	-	4,423,002
Interest on long-term debt	384,983	1,407,567	1,792,550
Electric	-	35,935,969	35,935,969
Gas	-	6,621,244	6,621,244
Water	-	3,333,533	3,333,533
Wastewater	-	5,015,831	5,015,831
Solid Waste	-	2,624,743	2,624,743
Communications	-	347,789	347,789
Total expenses	<u>19,924,781</u>	<u>55,286,676</u>	<u>75,211,457</u>
Change in Net Assets Before Transfers	(2,030,661)	5,614,690	3,584,029
Transfers	<u>7,944,022</u>	<u>(7,944,022)</u>	-
Change in Net Assets	5,913,361	(2,329,332)	3,584,029
Net Assets - Beginning	<u>45,958,172</u>	<u>104,324,547</u>	<u>150,282,719</u>
Net Assets - Ending	<u>\$ 51,871,533</u>	<u>\$ 101,995,215</u>	<u>\$ 153,866,748</u>

**CITY OF LEESBURG, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2003**

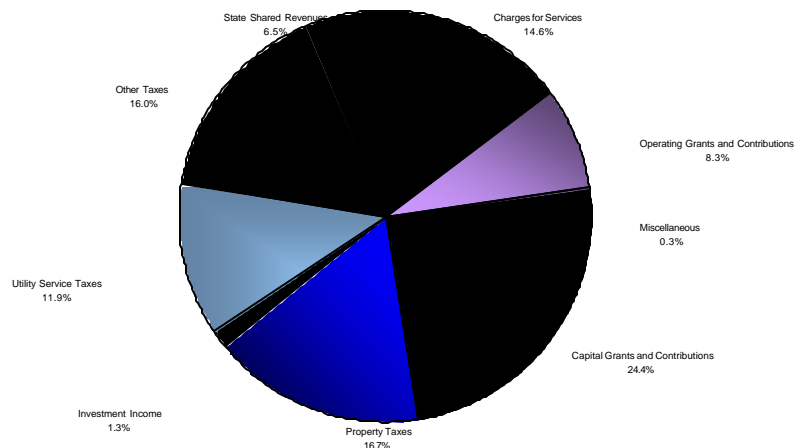
Governmental activities. Governmental activities increased the City's net assets by \$5,913,361, thereby accounting more than all of the total growth in the net assets of the City.

Expenses and Program Revenues - Governmental Activities

<u>Functions/Programs</u>	<u>Expenses</u>	<u>% of Total</u>	<u>Program Revenues</u>	<u>% of Total</u>	<u>Net (Expense) Revenue</u>
General Government	\$ 1,451,272	7.3%	\$ 1,295,631	15.3%	\$ (155,641)
Public Safety	9,561,372	48.0%	974,759	11.5%	(8,586,613)
Physical Environment	1,837,636	9.2%	1,800,883	21.3%	(36,753)
Transportation	2,266,516	11.4%	3,609,021	42.8%	1,342,505
Culture/ Recreation	4,423,002	22.2%	776,228	9.2%	(3,646,774)
Interest on long-term debt	384,983	1.9%		0.0%	(384,983)
	<u>\$ 19,924,781</u>	<u>100.0%</u>	<u>\$ 8,456,522</u>	<u>100.1%</u>	<u>\$ (11,468,259)</u>



Revenues by Source - Governmental Activities

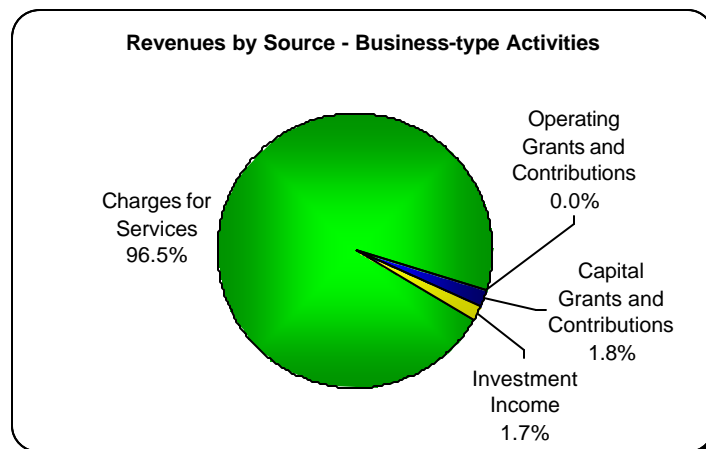
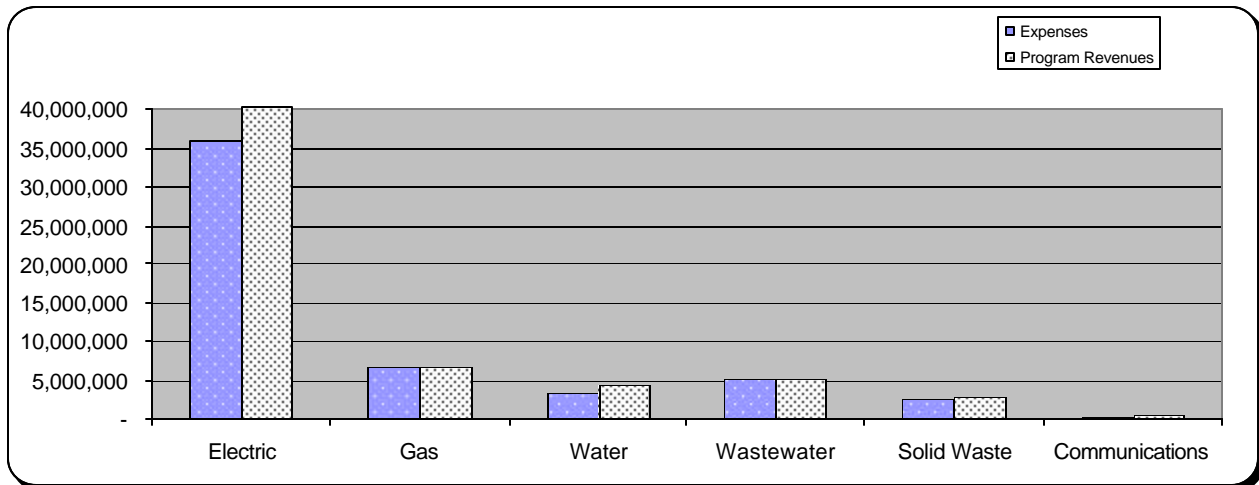


**CITY OF LEESBURG, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Business-type activities. Business-type activities decreased the City's net assets by \$2,329,332. Key elements of this decrease are the decreases in the electric, gas, water and wastewater funds of \$413,975, \$536,908, \$683,818 and \$760,805, respectively. A special transfer was made to the capital projects fund from the electric fund (\$740,402) and the water fund (\$1,260,685), which resulted in a net loss for the current year. The gas fund is undergoing a rate study and had sufficient reserves to sustain the net loss. The wastewater fund had a rate increase on February 1, and a 2nd step on October 1 which was necessary to sustain the debt service requirements. The 3rd step will be implemented on October 1, 2004.

Expenses and Revenues - Business-type Activities

<u>Functions/Programs</u>	<u>Expenses</u>	<u>% of Total</u>	<u>Program Revenues</u>	<u>% of Total</u>	<u>Net (Expense) Revenue</u>
Electric	\$ 35,935,969	65.0%	\$ 40,176,553	67.4%	\$ 4,240,584
Gas	6,621,244	12.0%	6,673,500	11.2%	52,256
Water	3,333,533	6.0%	4,307,887	7.2%	974,354
Wastewater	5,015,831	9.1%	5,210,694	8.7%	194,863
Solid Waste	2,624,743	4.7%	2,855,808	4.8%	231,065
Communications	347,789	0.6%	389,125	0.7%	41,336
Interest on long-term debt	1,407,567	2.5%	-	0.0%	(1,407,567)
	<u>\$ 55,286,676</u>	<u>100.0%</u>	<u>\$ 59,613,567</u>	<u>100.0%</u>	<u>\$ 4,326,891</u>



**CITY OF LEESBURG, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
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A comparative analysis of government-wide data will be presented in future years when the information is available.

Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of fiscal year 2003, the City's governmental funds reported combined ending fund balances of \$7,459,881, a decrease of \$6,172,780 in comparison with the prior year, due mainly to the unspent proceeds from the Capital Improvement Revenue Bonds, Series 1999 that were used to construct the Police Station (\$3,367,017). The capital projects fund also had reserves from the sale of the Babe Ruth property in 2000 (\$732,642) that were used to construct the Sleepy Hollow Recreation Complex. Accumulated reserves of \$2,400,433 from the local option infrastructure surtax were utilized to complete many projects in the capital projects fund.

Unreserved fund balance of the governmental funds is \$1,182,758, which is available for spending at the City's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed.

The general fund is the primary operating fund of the City. At the end of fiscal year 2003, the fund balance of the general fund was \$6,210,665, of which \$767,825 was unreserved. The City has a policy to reserve 20% of the annual budget as an operating reserve, which totals \$5,082,363 at the end of the current year. As a measure of the general fund's liquidity, it is useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 4.7% of total general fund expenditures, while total fund balance represents a healthy 35.7% of that same amount.

The fund balance of the City's general fund decreased by \$74,669 during the current fiscal year. This decrease was minimal compared to the projected use of fund balance appropriated and can be explained as follows:

- The City annexed the mall area which expanded the tax base by \$70,886,000 prior to December 21, 2002, and should generate additional revenue of \$303,038 to be received next fiscal year. However, it was necessary to maintain service levels effective January 1, so the police force increased by 7 officers and the firefighters added 6 positions, which resulted in an increase in operation and maintenance expenditures of \$406,522. Additional capital purchases totaled \$2,028,987 for 2 fire trucks, and a new fire station (which is partially grant funded). Capital purchases for 7 police cars and associated equipment totaled \$106,555.
- An increase in total general fund revenues of \$2,427,905 over fiscal year 2002, is primarily due to an increase of \$296,680 in ad valorem tax revenues, \$399,092 in utility services tax, and \$304,813 in a Lake County Water Authority grant to dredge Venetian Gardens.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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- Expenditures increased by \$3,689,301, primarily in public safety (\$1,360,694), public works (\$635,083), and recreation (\$761,412).
- The remainder of the change to revenues and expenses is the increase in the cost allocation from the utility departments to fund general fund operations. In fiscal year 2002, this expense to the utility fund was recorded as revenue in the general fund and totaled \$4,319,451. For fiscal year 2003, the amount was recorded as a contra expense of \$5,962,410, which results in a net change of \$1,642,959.
- Revenues exceeded budget by 3.4% and less than 100% of the appropriated budget (95.3%) was expended. The amount of additional revenue of \$342,715 and unspent appropriations of \$812,791 resulted in a minimal loss to the fund of \$74,669.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. All proprietary funds are reported as major funds. Unrestricted net assets of proprietary funds at the end of the year amounted to:

Fund	Unrestricted Net Assets
Electric	\$ 17,525,032
Gas	3,737,775
Water	8,281,124
Wastewater	3,299,285
Solid Waste	22,497
Communications	(1,896,104)
Total	<u>\$ 30,969,609</u>

Other factors concerning the finances of these funds have been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The following briefly summarizes the differences between the original budget and the final amended budget as presented in the budget to actual comparison, which shows an increase of \$876,426:

- \$617,792 in public safety for additions to police and fire to serve the Leesburg Lake Square Mall area.
- \$122,835 in public works to realign Echo Drive.
- \$54,351 in recreation for Venetian Gardens dredging
- Any transfer from reserves will be an increase in appropriations, as seen by the following:
 - \$10,020 for police department forfeiture proceeds
 - \$44,330 for the tower improvements
 - \$27,098 to increase insurance accounts in various departments

Of this increase, the annexation was budgeted from available fund balance, Echo Drive and Venetian Gardens were to be funded from intergovernmental revenues, and the remaining \$81,448 was transferred from reserves included in the current budget. During the year, however, revenues exceeded budgetary estimates and expenditures were less than budgetary estimates, thus eliminating the need to draw the entire amount from existing fund balance.

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The decrease in revenue was primarily attributable to a change in how fleet maintenance charges for services, miscellaneous revenue for cost allocation to the utilities, and the MIS charge for leasing computer equipment are recorded. In prior years, these charges were recorded as revenue in the general fund. At fiscal year end, those revenues were moved to a contra expense in the appropriate division of the general fund. These changes amount to \$895,741 for fleet maintenance, \$4,893,369 for cost allocation, and \$173,300 for computer leases. These contra expenditures to the individual divisions totaling \$5,962,410 were greater than the budgeted amount of \$5,862,320, thus creating a gain on the financial statements.

The final budget anticipated \$1,359,515 to be expended from available fund balance. During the year, however, revenues exceeded and expenditures were less than budgetary estimates, which limited the need to draw upon existing fund balance to \$74,669. This was addressed in the governmental funds section of the financial analysis previously discussed.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2003 amounts to \$140,839,726 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, vehicles, equipment, infrastructure, and construction in progress. The total increase in the City's investment in capital assets for the current fiscal year was 13.5%. The capital assets related to governmental activities were restated to include infrastructure. Infrastructure was not previously capitalized by the City.

The majority of the increase in capital assets is attributable to governmental-type activities that occurred in the capital projects fund for the following expenditures in the current year:

- The construction costs associated with the City's new Police Station were \$4,532,105.
- Costs associated with the construction of Sleepy Hollow Recreation Complex totaled \$1,661,990.
- The downtown parking garage was near completion at a cost of \$1,014,393.
- Airport land (Service Merchandise) was acquired at a cost of \$1,730,169.
- Other airport construction projects that were still in process at the end of the fiscal year totaled \$2,134,460,

To a lesser extent, capital assets attributable to business-type activities increased for all funds except solid waste. A few of the major projects and the amounts expended during the current year are identified as follows:

- \$759,177 for the design of a water reuse system and installation of some reuse mains.
- Rehabilitation of lift stations and associated collecting sewer systems totaling \$513,843.
- Upgrade the Canal Street Wastewater Treatment Plant at a cost of \$184,170.
- The major electric lighting projects, which are part of the total cost of \$1,844,259 for the current year, are specifically identified as follows: Highway 441, CR 470 and Turnpike, Sleepy Hollow Recreation Complex, Police Station, Highway 441, and parking garage.
- Reconductoring on Picciola Road and other reconductoring projects totaled \$494,715.

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- Electric distribution lines in the service territory and improvements to 8 subdivisions that totaled \$2,150,602.
- Improvements to the new gas facility at a cost of \$212,246.
- Expanding communication operations by extending fiber optic cable at a cost of \$813,797, which include runs to Tavares library, from Airport substation on 44 to CR 473 in Bassville Park, First Federal in Eustis, EMS in Mt. Dora, and various City facilities.

**City of Leesburg
Capital Assets**

	Governmental Activities	Business-Type Activities	Total
Land	\$ 7,927,051	\$ 7,039,212	\$ 14,966,263
Buildings	18,070,314	20,977,850	39,048,164
Improvements Other Than Buildings	9,083,983	74,925,220	84,009,203
Equipment	10,177,049	30,860,718	41,037,767
Infrastructure	20,715,576	-	20,715,576
Construction in Progress	13,026,736	10,476,649	23,503,385
	79,000,709	144,279,649	223,280,358
Less: Accumulated Depreciation	(27,460,180)	(54,980,452)	(82,440,632)
Capital Assets, Net	<u>\$ 51,540,529</u>	<u>\$ 89,299,197</u>	<u>\$ 140,839,726</u>

Additional information on the City's capital assets can be found in Note 6 on pages 46 - 47 of this report.

Long-term debt

At the end of fiscal year 2003, the City had total long-term debt outstanding of \$46,566,951. Of this amount, \$33,435,000 represents bonds secured solely by specified revenue sources. \$7,045,000 of the revenue bonds are applicable to governmental activities, and \$26,390,000 are for the business-type activities. Other long-term debt items include notes payable, CR #3 decommissioning cost payable, landfill postclosure payable and compensated absences.

The City's bonded debt had a net decrease of \$630,000 during fiscal year 2003, due to the normal principal debt service payments.

The City secured a loan from FMPA for financing the construction of a new water reuse facility and rehabilitation of the wastewater treatment plant at Canal Street. This new debt of \$6,077,000 increased the debt in business-type activities by 19.2%

Additional information on the City's debt can be found in Note 8 on pages 48 - 52 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for Lake County at September 30, 2003 was 4.8%, which is an increase from a rate of 4.7% a year ago. This compares favorably to the state's average of 5.2% and the national average rate of 6.1%.

**CITY OF LEESBURG, FLORIDA
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- The taxable value of commercial and residential property increased 2.4% in the 2003 fiscal year.
- Building permit activity had a steady increase of 12%, which can be specifically shown as 11.7% for residential and 9.6% for commercial in the 2003 fiscal year.
- Population only increased 1.2% from the prior fiscal year to 16,290 at September 30, 2003, but the City anticipates growth over the next 5 years as development occurs on the 4,872 acres that have been annexed in the past 3 years.
- The airport continues to expand and a grant related project will aid the fire department with construction of a Fire Station at the Airport and a new fire truck, which should improve operations and response times at the airport and the mall area.

During the current fiscal year, unreserved undesignated fund balance in the general fund increased to \$767,825, and the City did not appropriate any of this amount in the 2004 fiscal year budget. In addition, the ad valorem tax rate for the general fund was not increased for the 2003 fiscal year budget.

As previously mentioned, the rate study for water and wastewater was implemented in February 2003, which generated an average increase of 4.3% to the water rates and 20.4% to the wastewater rates. The wastewater rates will have 2 more increases in October 2003, and October 2004, which should result in a total approximate increase of 58%. The City hired R. W. Beck, Inc. as a consultant to review electric and gas rates, and, if necessary, the rate adjustment will be implemented on October 1, 2004.

Requests for Information

This financial report is designed to present users with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions concerning any of the information provided in this report or need additional financial information, please contact the City's Finance Department at 501 West Meadow Street (PO Box 490630), Leesburg, Florida 34749-0630, or call (352) 728-9720.